

Minutes of the 6 December 2011
Regular Meeting of the Yancey County Board of Commissioners
Held at 7:00 o'clock p.m. in the Yancey County Courtroom
Yancey County Courthouse, Burnsville, North Carolina

Present at the 6 December 2011 meeting of the Yancey County Board of Commissioners were Chairman Johnny Riddle, Commissioner Jill Austin, Commissioner Dale England, Commissioner Michele Presnell, Commissioner Marvin Holland, County Manager Nathan Bennett, Clerk to the Board Jason Robinson, County Attorney Donny Laws, Yancey County Transportation Authority Director Lynn Austin, Executive Director of the Yancey County Economic Development Commission Wanda Proffitt, Brian Broom and David Kerestes with Dixon Hughes Goodman, members of the media, and members of the general public.

Call to Order and Approval of Agenda

Chairman Riddle called the meeting to order, and then asked Reverend Danny Silvers to deliver the invocation. Commissioner Holland led everyone in the Pledge of Allegiance. Chairman Riddle then asked for a motion to approve the agenda. Commissioner Holland made a motion to approve the agenda and it was seconded by Commissioner Presnell. The vote to approve was unanimous. (Attachment A)

Approval of the Minutes

The Board next considered the minutes from the May 9th, May 17th, October 31st, November 30th special meetings, and the November 1st regular meeting. Commissioner Austin made a motion to approve the minutes and it was seconded by Commissioner Presnell. The vote to approve was unanimous with Commissioner England abstaining due his absence at one of the meetings.

Organizational Meeting

The first order of business for the Board was the election of a chairman and vice-chairman. Chairman Riddle opened the floor for nominations for chairman for the year of 2012. Commissioner Austin nominated Chairman Riddle for another term as chairman. Having no further nominations Commissioner Austin made a motion to appoint Chairman Riddle as chairman for another term. The motion was seconded by Commissioner England and the vote to approve was 3-1 with Commissioner Presnell voting no and Commissioner Holland abstaining. Chairman Riddle then nominated Commissioner Austin for vice-chairman of the commission. Having no further nominations Commissioner England made a motion to appoint Commissioner Austin as vice-chairman for another term and it was seconded by Commissioner Riddle. The vote to approve was 3-1 with Commissioner Presnell voting no and Commissioner Holland abstaining. The Board next moved to a resolution for the regular meeting schedule. Commissioner Presnell made a motion to approve the resolution and it was seconded by Commissioner Holland and the vote to approve was unanimous (Attachment B).

Public Comment

The first person to speak before the Board was Anthony Robinson. He spoke about government being almost as important as church and that the mainstream media is not reporting all the problems in the country. The next person to speak was Bill Grover. He spoke about good bullying and bad bullying and that there is difference and once again spoke of the evil that is the American Bar Association. The next person to speak before the Board was Rick Woody. Mr. Woody spoke about the need not to censure prayer at the commissioners meetings and let ministers pray the way they see fit. He also stated that one Board member does not need to make a decision for the whole Board but it needs to be shared with all five members. The final person to speak before the Board was Benny Riddle. Mr. Riddle spoke about socialism and the need for people to not be looking for a handout and stated that socialism was alive and well.

Yancey County Transportation Authority

The Board next heard from Yancey County Transportation (YCTA) Director Lynn Austin. Mrs. Austin stated that she was coming before the Board to ask for the Board to approve the Community Transportation Programs (CTP) grant for the 2012-2013 year. Ms. Austin stated that YCTA was asking for a total of \$188,173 this year of which the county would be responsible for \$26,066, which is usually covered by rider fees. This is a little less than YCTA was able to obtain from state funding last year. Having heard from Mrs. Austin, Chairman Riddle opened up the public hearing portion of the meeting. The only person to speak was Bill Grover, who stated that he has always supported YCTA and believes it is a wonderful program. He further stated

that he wished more people knew about the program. Having no further public input, Chairman Riddle closed the public hearing. After closing the public hearing Commissioner Austin made a motion to approve the resolution for the CTP application. The motion was seconded by Commissioner Holland and the vote to approve was unanimous (Attachment C). Mrs. Austin then asked the Board to declare two vans as surplus property so that County Manager Bennett can dispose of them according to law. Mrs. Austin stated that no county agencies have expressed interest in using the vans for their departments and therefore they can be declared as surplus and sold or disposed of as the law allows. Upon hearing from Mrs. Austin, Commissioner England made a motion to approve the resolution that declares these vans as surplus. The motion was seconded by Commissioner Presnell and the vote to approve was unanimous (Attachment D).

Fiscal Year 2010-2011 Financial Audit Report

The Board next heard from County Finance Director Lynne Hensley and Finance Officer Brandi Burleson. Mrs. Hensley and Mrs. Burleson introduced Mr. Brian Broom and Mr. David Kerestes of Dixon Hughes Goodman, LLP to deliver the 2010-11 fiscal year audit. Mr. Kerestes began by explaining what the audit does. This kind of audit gives an opinion on financial statements and not internal controls. Mr. Kerestes reported that one of the highlights of the budget is the addition of more than \$600,000 to the fund balance from last year which makes the available fund balance 3.3%. The local government commission requires an 8% available fund balance but Mr. Kerestes stated that there has been drastic improvement over the last three years to rebuild this fund balance. Mr. Kerestes also stated that he wished to thank the finance office staff for all of the help during the audit. Commissioner Presnell noted that one of the things pointed out in the audit was from DSS not having signatures of supervisors on some timesheets. Mr. Kerestes stated that this was unique to the Income Maintenance Department of DSS. The report to the Board is incorporated into the minutes as (Attachment E).

Yancey County Economic Development Commission Report

The Board next heard from EDC Director Wanda Proffitt. Mrs. Proffitt informed the Board that lots of good things are going on in Yancey County. One of the things that the EDC Board was pleased to hear about is Yancey County being designated as a Tier 1 county. This will help with business and industry recruitment. Mrs. Proffitt also stated that Yancey County excited about being on the verge of becoming a Certified Entrepreneurial Community. This is also used as a recruitment tool for businesses to locate in the area. Mrs. Proffitt also gave an overview of how Mayland Community College has been working with the Yancey EDC to help businesses and industries. Mrs. Proffitt also reported that Altec Industries now has 370 employees and is at full capacity.

Buker Tennis Court

The Board next heard from County Attorney Donny Laws concerning a lease with Ms. Dotty Buker for use of her tennis court. Commissioner Holland gave a synopsis about how this all came about and about how the lease would be done as far as maintenance. Mr. Laws stated that the lease would be for five years. Upon hearing from Mr. Laws, Commissioner Holland made a motion to authorize the county attorney and county manager to come up with terms of a five year lease. Commissioner Presnell seconded the motion and the vote to approve was unanimous.

Community Development Block Grant

The Board next heard from County Manager Bennett concerning the CDBG Scattered Site Program. This program is a sum of money totaling \$400,000 to rehabilitate or relocate houses of elderly and disabled people. The appointment of the selection committee is the first step in this process. Mr. Bennett also informed the Board that they needed to appoint a commissioner to this advisory Board. Upon hearing from County Manager Bennett, Commissioner Presnell made a motion to appoint Commissioner Holland to the advisory committee. The motion was seconded by Commissioner Austin and the vote to approve was unanimous. Commissioner Presnell also made a motion to approve the advisory committee list with the addition of Commissioner Holland. The motion was seconded by Commissioner Holland and the vote to approve was unanimous. (Attachment F)

County Manager Business

The Board next heard from County Manager Bennett. Mr. Bennett gave the Board an update on the N.C. License Plate Agency for Yancey County. Mr. Bennett stated that as of now Yancey County does not have a license plate agency after the contractor retired in August. Mr. Bennett further reported that he has been talking with the Division of Motor Vehicles (DMV)

about options and that right now after advertising for an independent contractor and finding no one suitable that DMV is not planning on putting a tag agency in Yancey County unless it is run by either the county or town or some other governmental entity. Mr. Bennett also told the Board that nine other counties in the state run their own tag agencies and according to them that the license plate agency is done as a service, not as a revenue generating enterprise. Discussions followed about any possible alternative but in general the Board was in agreement that a license plate agency needs to be in Yancey County. Commissioner Holland suggested having a special meeting when County Manager Bennett can have actual numbers together about how much it might cost to run the tag agency for the county. Mr. Bennett next gave an update on the Comprehensive Recreation Grounds (CRG) at Whitt Bottoms. Mr. Bennett stated that all of the initial work has been done at the site and nothing else can be done until spring. He further stated that the grass is seeded and is growing, so in spring then the county will look at what else can be done especially with the Parks and Recreation Trust Fund money. Mr. Bennett also updated the Board on the renovations at the former Yancey Medical Center that is being revamped into a DSS facility. Mr. Bennett informed the Board that work is nearly completed and that DSS should be able to move in sometime around the first of the year.

Commissioner Business

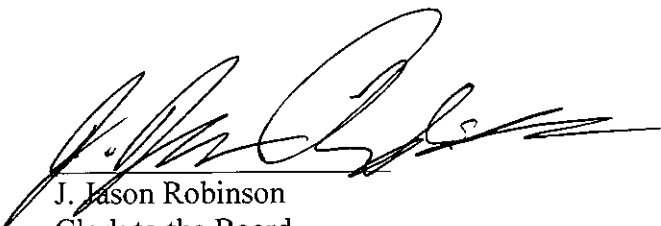
Commissioner Presnell next made a motion for the Board to keep the same procedure as before about the invocation, where ministers are invited in to deliver the invocation in whatever way they see fit. The motion was seconded by Commissioner England. Chairman Riddle then asked County Attorney Laws about the lawsuit in Forsyth County and what options. Mr. Laws stated that there are three legal options: 1. Have no prayer at all 2. Have commissioners lead a prayer without invoking one particular religion 3. Not limiting a prayer but having a diverse group of ministers to deliver the invocation. Discussion followed amongst the Board and the public about the pros and cons of each alternative. When discussion ceased the Board voted unanimously to pass the motion made by Commissioner Presnell and seconded by Commissioner England.

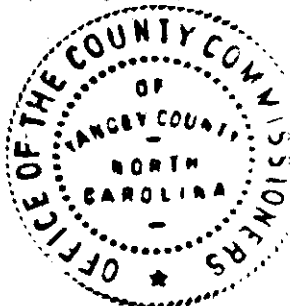
Adjournment


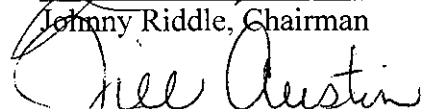

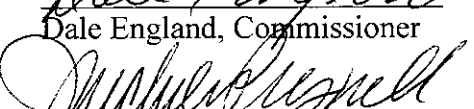
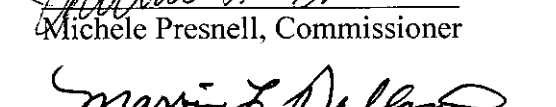
Having no further business Commissioner Holland made a motion to adjourn and it was seconded by Commissioner Austin. The vote to adjourn was unanimous.

Approved and authenticated on this the _____ 3rd _____ day of January 2012.

Attest:


J. Jason Robinson
Clerk to the Board
(county seal)




Johnny Riddle, Chairman

Jill Austin, Commissioner

Dale England, Commissioner

Michele Presnell, Commissioner

Marvin Holland, Commissioner

COUNTYMANAGER
Nathan Bennett



COMMISSIONERS
Jill Austin
Dale England
Marvin Holland
Michele Presnell
Johnny Riddle

YANCEY COUNTY

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AGENDA YANCEY COUNTY BOARD OF COMMISSIONERS REGULAR BUSINESS MEETING

December 6, 2011

7:00 P.M.

- I. Call to Order – Chairman Johnny Riddle
- II. Invocation and Pledge of Allegiance
- III. Approval of the Agenda
- IV. Approval of Minutes
- V. **ORGANIZATIONAL MEETING OF THE BOARD OF COMMISSIONERS** per N.C.G.S. 153A-39
 - a. Selection of Chairman
 - b. Selection of Vice-Chairman
 - c. **RESOLUTION** – Regular Meeting Schedule for 2012
- VI. Public Comment
- VII. Yancey County Transportation Authority – Lynn Austin, Director
 - a. Community Transportation Program (CTP) Application
 - b. **PUBLIC HEARING** – Community Transportation Program
 - c. **RESOLUTION** – CTP Application
 - d. Surplus YCTA Vehicles
- VIII. Finance Office – Lynne Hensley, Finance Director and Brandi Burleson, Finance Officer
 - a. Fiscal Year 2010-11 Financial Audit Report – Brian Broom/David Kerestes, Dixon Hughes Goodman, LLP
- IX. Yancey County Economic Development Commission – Report – Wanda Proffitt, Executive Director
- X. Buker Tennis Court – Lease – Donny Laws, County Attorney
- XI. Community Development Block Grant – Scattered Site Program
 - a. Appointment of Selection Committee
- XII. County Manager Business
 - a. N.C. License Plate Agency for Yancey County
 - b. Comprehensive Recreation Grounds – Construction Update
 - c. DSS Office Renovation – Construction Update
- XIII. Commissioner's Business
- XIV. Adjourn

Attachment B



RESOLUTION

Affixing the Time and Place of the Regular Meetings Of the Yancey County Board of County Commissioners

WHEREAS, N.C. General Statute 153A-40 establishes that the Board of County Commissioners may by resolution fix the time and place of its regular meetings; and

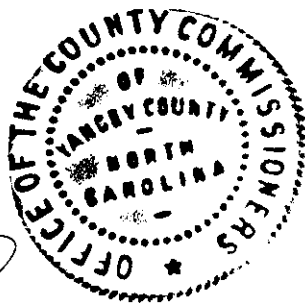
WHEREAS, the Yancey County Board of County Commissioners desires to fully comply with the provisions of N.C. General Statute 153A-40.

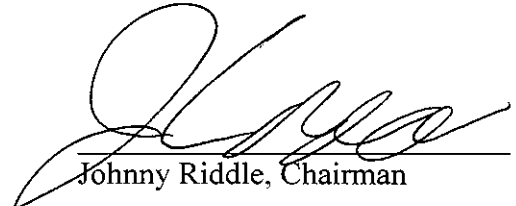
NOW, THEREFORE, BE IT RESOLVED by the Yancey County Board of Commissioners as follows:

1. That the Board of Commissioners shall hold a regular meeting once a month.
2. That the Board of Commissioners sets the regular monthly meeting to occur on the first Tuesday of each month to begin at 7:00 p.m.
3. That the Board of Commissioners shall meet in the Courtroom of the Yancey County Courthouse in Burnsville, North Carolina for said regular monthly meeting.
4. That the Board of Commissioners may meet at other times as necessary pursuant to the notice requirements of N.C. General Statute 153A-40.

ADOPTED this the 6th Day of December, 2011.

(County Seal)




Johnny Riddle, Chairman

ATTEST:


J. Jason Robinson,

Clerk to the Board of Commissioners

Attachment C

COMMUNITY TRANSPORTATION PROGRAM RESOLUTION

Section 5311 FY 2013 RESOLUTION

Applicant seeking permission to apply for Community Transportation Program funding, enter into agreement with the North Carolina Department of Transportation, provide the necessary assurances and the required local match.

A motion was made by (Board Member's Name) Commissioner Austin and seconded by (Board Member's Name or N/A, if not required) Commissioner Holland for the adoption of the following resolution, and upon being put to a vote was duly adopted.

WHEREAS, Article 2B of Chapter 136 of the North Carolina General Statutes and the Governor of North Carolina have designated the North Carolina Department of Transportation (NCDOT) as the agency responsible for administering federal and state public transportation funds; and

WHEREAS, the North Carolina Department of Transportation will apply for a grant from the US Department of Transportation, Federal Transit Administration and receives funds from the North Carolina General Assembly to provide assistance for rural public transportation projects; and

WHEREAS, the purpose of these transportation funds is to provide grant monies to local agencies for the provision of rural public transportation services consistent with the policy requirements for planning, community and agency involvement, service design, service alternatives, training and conference participation, reporting and other requirements (drug and alcohol testing policy and program, disadvantaged business enterprise program, and fully allocated costs analysis); and

WHEREAS, (Legal Name of Applicant) Yancey County Transportation Authority hereby assures and certifies that it will provide the required local matching funds; that its staff has the technical capacity to implement and manage the project, prepare required reports, obtain required training, attend meetings and conferences; and agrees to comply with the federal and state statutes, regulations, executive orders, Section 5333 (b) Warranty, and all administrative requirements related to the applications made to and grants received from the Federal Transit Administration, as well as the provisions of Section 1001 of Title 18, U. S. C.

NOW, THEREFORE, be it resolved that the (Authorized Official's Title)* YCTA Director, Lynn Austin of (Name of Applicant's Governing Body) Yancey County is hereby authorized to submit a grant application for federal and state funding, make the necessary assurances and certifications and be empowered to enter into an agreement with the NCDOT to provide rural public transportation services.

I (Certifying Official's Name)* J. Jason Robinson (Certifying Official's Title) Clerk to the Board do hereby certify that the above is a true and correct copy of an excerpt from the minutes of a meeting of the (Name of Applicant's Governing Board) Yancey County Board of Commissioners duly held on the 6th day of December, 2011.


Signature of Certifying Official

*Note that the authorized official, certifying official, and notary public should be three separate individuals.

Seal Subscribed and sworn to me (date) _____

Notary Public *

Printed Name and Address

My commission expires (date) _____

Affix Notary Seal Here

Attachment 0



RESOLUTION

Declaration of Certain County Property as Surplus Property and Authorization for Disposal of Said Property

WHEREAS, N.C. General Statute 160A, Article 12 authorizes several methods for disposing of property that the governing board has determined is no longer useful to the government unit;

WHEREAS, the Yancey County Transportation Authority has determined that two vehicles in their fleet have exceeded their useful service life; and

WHEREAS, these vehicles are particularly described as follows:

- Item 1: 2001 Dodge -Lift Van – VIN# 2B6LB31Z31K547418; and
- Item 2: 2002 Dodge - Center Aisle – VIN# 2B7LB31Z32K129244; and

WHEREAS, the Yancey County Transportation Authority requests the Board of Commissioners to declare these vehicles surplus and authorize the disposition of said vehicles in accordance with methods set forth in N.C. General Statute 160A.

NOW, THEREFORE, BE IT RESOLVED by the Yancey County Board of Commissioners as follows:

1. That the Board of Commissioners declares the vehicles named above as surplus property.
2. That the Board of Commissioners authorizes the county manager to dispose of said vehicles pursuant to any method allowed by N.C. General Statute 160A as may be determined in the best interest of the County.

ADOPTED this the 6th Day of December, 2011.

(County Seal)

ATTEST:

J. Jason Robinson,

Clerk to the Board of Commissioners

Johnny Riddle, Chairman

Report to the Board of County Commissioners
of

Yancey County, North Carolina

June 30, 2011



DIXON HUGHES GOODMAN_{LLP}

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To the Board of County Commissioners
Yancey County, North Carolina

We have audited the financial statements of Yancey County as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. Professional standards require we advise you of the following matters related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter dated April 5, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

In accordance with *Government Auditing Standards*, we have issued a written report on internal controls and compliance. That report is included in our Compliance Reports.





Our Responsibility under Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act

As stated in our engagement letter dated April 5, 2011, our responsibility, under federal regulations, is to test controls and compliance with the requirements of laws, regulations, contracts and grant agreements that have a direct and material effect on the administration of the County's major federal and State programs and are responsible for communicating significant findings and known, or likely, questioned costs in excess of \$10,000 as defined in OMB Circular A-133. There were three findings reported and these can be found in the Compliance Reports beginning on Page 17.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on July 15, 2011.

Summary of Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements.

During the year, the County implemented GASB 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance is now reported in five categories: non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance is normally associated with inventories or prepaids. The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution,





external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Changes as a result of implementing this new standard can be found in the Governmental Funds Balance Sheet and the Notes to the Financial Statements.

The application of existing policies was not changed during fiscal year 2011. We noted no transactions entered into during the year that were both significant and unusual that, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is depreciation expense.

- Management's estimate of depreciation expense is based on the assets' respective estimated useful lives. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate for doubtful accounts is based on historical experience and appears to be logically developed and consistently applied.





- Management's estimates for other postemployment benefit obligations are based on guidance provided by independent third parties.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. The disclosures present the issues involved, and the related judgments made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition and subsequent events).

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The audit resulted in the following adjustments:

	<u>General</u>	<u>Non-major</u>
To adjust year-end sales tax receivables	\$ 239,853	\$ -
To adjust deferred revenue to actual	102,933	-
To adjust year-end receivables	-	216,955
To defer prepaid property taxes	41,617	-
To record library project activity	-	954,295

Any uncorrected financial statement misstatement should be disclosed to the Board in accordance with Statement of Auditing Standards no. 89, *Audit Adjustments*.

- An actuarial valuation was not performed for the law enforcement officers' separation allowance to determine the net pension obligation. The effect on governmental activities was estimated to be approximately \$7,000. This is 1% of total net assets and is considered immaterial.
- The lease of certain equipment has not been recorded as a capital lease, and therefore no liability for capital leases has been recorded. The effect on





governmental activities was estimated to be approximately \$29,000, which approximates <1% of total net assets at the government-wide level.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2011 (see Appendix A).

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Auditing standards generally accepted in the United States of America and Government Auditing Standards require independence for all audits. The two main principles of independence are: (1) do not perform non-attest services that involve making management decisions; and (2) do not audit your own work. No events have occurred





Required Auditor Communications

to impair our independence during this year's audit. We have assisted management in the preparation of the financial statements and schedule of expenditures of federal and State awards. Management has reviewed and approved these statements and schedule.

This information is intended solely for the use of the Board of Commissioners and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to express our appreciation for the assistance and cooperation given our representatives during our audit. Should have you have any questions concerning the matters presented herein, we would be pleased to discuss them with you further at your convenience.

Asheville, North Carolina
December 2, 2011

Dixon Hughes Goodman LLP





Services Performed

- Annual audit of financial statements
- Assistance in the preparation of the Basic Financial Statements
- Compliance audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act
- Preparation of the data collection form required by OMB Circular A-133
- Annual report to management on observations and recommendations for improvements
- Attendance at Board meetings as requested
- Consultation on accounting matters as requested
- Management consulting services on business matters as requested





Our report for the 2011 audit expresses an **unqualified opinion** on the fair presentation of the basic financial statements in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our reports on compliance and internal control in accordance with Government Auditing Standards, OMB Circular A-133, and the State Single Audit Implementation Act disclosed three findings, which can be found in the Compliance Reports beginning on Page 17.

The following is a summary of the General Fund's fund balance:

	<u>2011</u>	<u>2010</u>
Total fund balance	\$ 1,754,291	\$ 1,121,155
Less:		
Non-spendable fund balance--prepaids	(1,215)	-
Restricted for stabilization by State Statute	<u>(1,171,566)</u>	<u>(848,166)</u>
Fund balance available for appropriation	<u>581,510</u>	<u>272,989</u>
Total expenditures and transfers out	<u>\$ 17,785,190</u>	<u>\$ 17,528,138</u>
Available fund balance as a percentage of expenditures	<u>3%</u>	<u>2%</u>

The County's fund balance policy requires the General Fund to maintain a fund balance at least equal to 16% of expenditures.

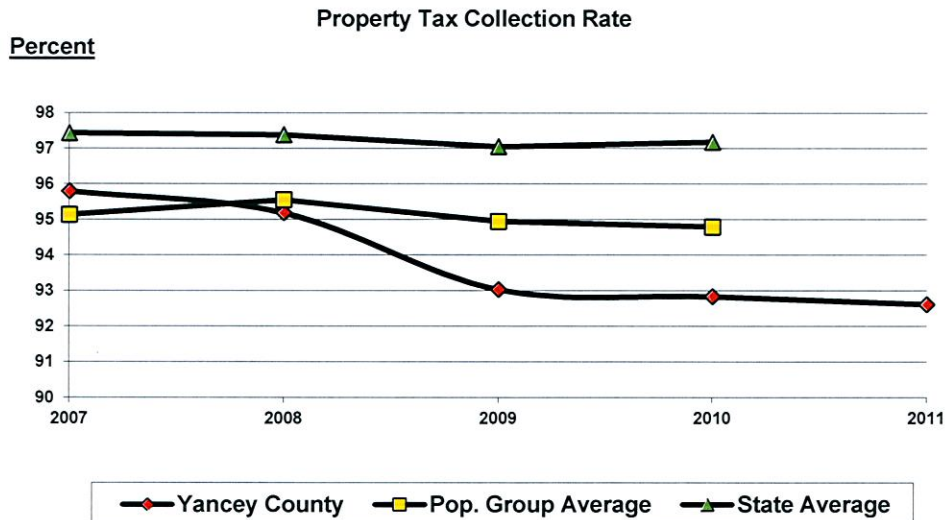
The Local Government Commission recommends maintaining available fund balance equal to at least 8% of expenditures.





The following is a summary, from Page 67 of the basic financial statements, of property tax collections and collections rates:

	<u>2011</u>	<u>2010</u>
Net levy	\$ 11,754,511	\$ 11,605,708
Uncollected taxes at June 30	<u>868,331</u>	<u>832,344</u>
Current year taxes collected	<u>\$ 10,886,180</u>	<u>\$ 10,773,364</u>
Ratio of taxes collected to net levy	<u>92.61%</u>	<u>92.83%</u>



Based on county and municipal information at www.treasurer.state.nc.us for counties (populations below 25,000). 2011 data is not yet available.

The decrease in the County's collection rate is primarily due to two large taxpayers contesting their tax bills.





Communications of Internal Control Related Matters

To the Board of County Commissioners
Yancey County, North Carolina

In planning and performing our audit of the financial statements of Yancey County, North Carolina (the "County") for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of County's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Any matter involving the internal control and its operation that is considered to be a significant deficiency or material weakness under standards established by the American Institute of Certified Public Accountants is required to be communicated in our reports on compliance and internal control dated December 2, 2011, accompanying the Compliance Reports.





All other matters involving the internal control and its operation are summarized below:

NC Health Choice Program

During our testing of the NC Health Choice Program, we noted errors in the calculation of “countable income”. Countable income is the basis for determining eligibility. None of the errors noted affected the individual’s eligibility; however, the potential for improper eligibility determination exists due to inadequate review. We recommend the County establish procedures to review eligibility determinations for completeness and accuracy in the NC Health Choice Program.

DSS Form 1571

During our testing of the DSS Form 1571, we noted instances where invoices were not properly reported on the DSS Form 1571 and the amounts reported on the Form DSS Form 1571 could not be easily reconciled with the County’s general ledger. We recommend the County establish procedures to reconcile the DSS Form 1571 to the County’s general ledger and to improve its review process to detect and correct errors in a timely manner.

DSS Child Support Services

The County pays a flat fee for Child Support services. Federal regulations require reimbursement for actual time spent on a case based on the contracted hourly rate. For flat fee arrangements, a reconciliation of actual time spent must be performed and adjustments made to amounts paid. We recommend the County establish procedures to perform periodic reconciliations of the actual time spent to contracted hourly rates and adjust payments accordingly.

DSS Payroll

During our test of controls over DSS income maintenance payroll, we noted instances where there was no supervisor approval on time sheets. In addition, we noted clerical errors in entering information from day sheets. We recommend the County improve its review process to ensure all time sheets are properly approved and errors in day sheets are identified and corrected in a timely manner.





DSS Agency Cash Account

During our testing of cash, we noted that bank reconciliations on the DSS bank account are not being performed in a timely manner and are not being reviewed or approved. Bank reconciliations are a critical control to ensure cash balances are complete and accurate. We recommend the DSS bank account be reconciled monthly and reviewed by DSS Director. The review should be documented by signing and dating the reconciliation. Signature stamps should not be used.

Capital Project Ordinances

During our testing of capital assets we noted no project ordinance related to amounts recorded in the capital projects fund. Capital project funds should only be used to account for the acquisition or construction of capital assets. Before the project is recorded in the capital projects fund a project ordinance should be adopted by the Board before expenditures are incurred. The project ordinance will be in effect for the duration of the project and should be amended if expenditures are expected to exceed budgeted amounts. We recommend the County adopt project ordinances for the amounts recorded in the capital projects fund and amend the project ordinance in the Library Capital Projects Fund to reflect the additional financing and cover expenditures not previously budgeted.

Information Technology

Our audit included a review of the Information Technology general controls in place with respect to the technology infrastructure and systems used by Yancey County to support financial reporting processes. During our review we noted a number of control weaknesses that should be addressed to improve the security, availability, and accuracy of information processed by the organization's employees:

- It is noted Human Resources does not consistently notify the IT Department when employees are terminated, therefore, the risks is increased for the County if a disgruntled, terminated employee accesses the network and applications and causes damage. We recommend formal process be implemented to establish communication between the HR Department and the IT department when an employee is terminated, so that such employee's access to the network and all applications can be revoked. The IT department should review the terminated user





listing against the network and core application user listings on a regular basis to help mitigate the risk.

- Upon inspection of a sample of backup logs for network and core application data it was determined that backup jobs failed on multiple days. Management should review all backup logs on a daily basis to ensure backups completed without error. Sign-offs and/or checklist should be considered to ensure these reviews are conducted on a daily basis.
- Management is encouraged to determine a cost effective process to ensure critical areas of the Disaster Recovery Plan are tested on an annual basis. Management should consider testing full recovery of the critical systems required for continuance of business operations. Restoration of the primary servers and application data should be tested to ensure critical data can be recovered in a timely manner in the event a server is suddenly not operational.

The following observations and recommendations are not considered control deficiencies but are issues the County should address:

Property Tax Collections

During our testing of property taxes, we noted the County is not “blocking” delinquent motor vehicle tax bills. Blocking is a process where counties provide the State with a listing of delinquent motor vehicle tax bills and the State will block the vehicle tag from being renewed until the person pays their motor vehicle tax bill. We recommend the County establish procedures to starting blocking delinquent motor vehicle tax bills.

Medicaid Eligibility

Eligible Medicaid recipients must be provided with a “Notice of Rights to Transportation” (Form DMA-5049). The form is not required to be returned to the County so there were some instances where the case files lack documentation of this notification. We recommend the County establish procedures to document how and when this notification is made and have some written acknowledgement in the file that the recipient has received this form.





DSS Form 1571

When DSS invoices are paid they are not being effectively cancelled. Effective cancellation of an invoice involves marking it "PAID" with payment information to avoid the risk of duplicate payment. We recommend the County establish procedures to effectively cancel every invoice after payment.

Escheated Property

Unclaimed checks that have been outstanding for more than one year are required to be turned over to the State in accordance with North Carolina General Statutes (NCGS 116B). We recommend the County attempt to contact the payees on all outstanding checks in order to get them cleared and then remit the remaining amounts to the State in accordance with the Statute.

Law Enforcement Officers' Separation Allowance

The County has not obtained an actuarial valuation for the plan. Currently, management feels the net pension obligation is immaterial and has not recorded a liability. We recommend that management consider requesting an actuarial study to be completed and report this liability in the government wide financial statements.

This report is intended solely for the information and use of the Board of County Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to express our appreciation for the assistance and cooperation given our representatives. Should you have any questions concerning the matters presented herein, we would be pleased to discuss them with you further at your convenience.

Asheville, North Carolina
December 2, 2011

Dixon Hughes Goodman LLP





DIXON HUGHES GOODMAN LLP

Appendix A – Signed Management Representation Letter



Report to the Board of County Commissioners of
Yancey County, North Carolina

COUNTYMANAGER
Nathan Bennett



COMMISSIONERS
Jill Austin
Dale England
Marvin Holland
Michele Presnell
Johnny Riddle

YANCEY COUNTY

110 Town Square, Room 11 • Burnsville, North Carolina 28714
PHONE: (828) 682-3971 • FAX: (828) 682-4301

December 2, 2011

Dixon Hughes Goodman LLP
500 Ridgefield Court
Asheville, NC 28806

We are providing this letter in connection with your audit of the financial statements of Yancey County (the County) as of June 30, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County and the respective changes in financial position and the respective budgetary comparison for the General Fund and E-911 Fund in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 2) We have made available to you all—
 - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Minutes of the meetings of Board of Commissioners or notes from meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the Schedule of Expenditures of Federal and State Awards.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We are not aware of any material uncorrected financial statement misstatements both individually and in the aggregate, to the financial statements taken as a whole. However, we have not adjusted certain accounts because we believe the net effect of these transactions is immaterial to the financial statements both individually and in the aggregate. The following summarizes these transactions:
 - a) An actuarial valuation of the Law Enforcement Officers' Separation Allowance has not been performed and therefore no liability has been recorded. We estimate the liability should not exceed \$70,000 which approximates < 1% of total net assets at the government-wide level.
 - b) The lease of certain equipment has not been recorded as a capital lease and therefore, no liability for capital leases has been recorded. We estimate the liability for capital leases to be approximately \$29,000 which approximates < 1% of total net assets at the government-wide level.
- 7) We have identified and disclosed to you all funds that must be combined with the General Fund for reporting purposes as a result of implementing GASB Statement No. 54. We have restated beginning fund balance in the General Fund as a result of this transaction. In addition, we have increased the capitalization threshold for the County's capital assets. We have removed all capital assets (net of accumulated depreciation) less than \$5,000 and restated beginning net assets as a result of this transaction.
- 8) You have recommended adjusting journal entries to the County's accounts. We have reviewed these adjusting journal entries and understand them. We agree with your recommendation and approve of these adjustments.
- 9) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 10) We have no knowledge of any fraud or suspected fraud affecting the County involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 11) We have no knowledge of any allegations of fraud or suspected fraud affecting the County received in communications from employees, former employees, analysts, regulators, or others.
- 12) We have a process to track the status of audit findings and recommendations.

- 13) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 14) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net assets/fund balances.
- 15) We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
- 16) The following, if material, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the County is contingently liable.
 - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates are reasonable in the circumstances, consistently applied, and adequately disclosed.
- 17) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- 18) There are no—
 - a) There are no other unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed to you and we have not contacted our attorney about such matters since the effective date of their letters to you.
 - b) Except as disclosed in the financial statements, there are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on non-compliance.
 - c) Except as disclosed in the financial statements, there are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
- 19) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal and state awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your service and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and Schedule of Expenditures of Federal and State Awards.

- 20) The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 22) The financial statements include (either recorded or disclosed) all component units as well as joint ventures, and other related organizations.
- 23) Except as disclosed in the notes to the financial statements, we have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 24) The financial statements properly classify all funds and activities.
- 25) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 26) Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance components (non-spendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 27) Provisions for uncollectible receivables have been properly identified and recorded.
- 28) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 29) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, and transfers.
- 30) Interfund and internal activity and balances have been appropriately classified and reported.
- 31) Deposits and investment securities are properly classified as to risk.
- 32) Capital assets are properly capitalized, reported, and, if applicable, depreciated. All intangible assets owned by the County have been properly capitalized.
- 33) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 34) We acknowledge our responsibility for the presentation of the combining and individual fund financial statements, budgetary schedules, and other schedules (other supplemental information) in accordance with accounting principles generally accepted in the United States of America. We have reviewed the other supplemental information and we believe the form and content is fairly presented in accordance with accounting principles generally accepted in the United States of America. We have disclosed to you all significant assumptions or interpretations underlying the measurement and presentation of the other supplemental information.

- a) If the combining and individual fund financial statements, budgetary schedules, and other schedules is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
- 35) We have appropriately disclosed the County's practice regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 36) We agree with the results of specialists in evaluating the County's Other Postemployment Benefits liability; and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- 37) With respect to federal and state award programs:
- a) We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina.
 - b) We have, in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, identified in the Schedule of Expenditures of Federal and State Awards, expenditures made during the year for all awards provided by federal and state agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c) We acknowledge our responsibility for presenting the Schedule of Expenditures of Federal and State Awards in accordance with the requirements of *OMB Circular A-133 Section 310.b* and we believe the schedule, including its form and content is fairly presented in accordance with the Circular. The methods of measurement and presentation of the schedule of expenditures of federal and state awards have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the schedule.
 - d) We have disclosed to you all of our government programs and related activities subject to *OMB Circular A-133*.
 - e) We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.

- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the Schedule of Findings and Questioned Costs.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state program.
- h) Except for the Request from the NC Office of the State Auditor to audit the State Children's Insurance Program (CHIP) 93.767, we have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i) We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal and state awards, including the results of other audits or program reviews.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the fiscal year covered by the compliance audit to the date of this letter.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to the compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- n) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared, and are prepared on a basis consistent with the Schedule of Expenditures of Federal and State Awards.
- o) We have charged costs to federal and state awards in accordance with applicable cost principles.
- p) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- q) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information, if any, on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
 - r) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
 - s) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to non-compliance at the service organizations.
 - t) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
 - u) No changes have been made in internal control over compliance or other factors that might significantly affect internal control subsequent to the date as of which compliance was audited.
 - v) We are responsible for preparing and implementing a corrective action plan for each audit finding.
 - w) We have disclosed received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the fiscal year covered by the compliance audit to the date of this letter.
- 38) We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.


Lynne Hensley, Director of Finance


Brandi Burleson, Finance Officer


Nathan Bennett, County Manager

Attachment F

Yancey County 2011 Scattered Site Selection Committee

1. Danny McIntosh – Mayor, Town of Burnsville
2. Anthony Hensley - Public Works Director, Town of Burnsville
3. Bobby Hensley - General Contractor/Magistrate
4. Anita Burleson - USDA-Rural Development
5. Heather Dale - Yancey Soil and Water Conservation District
6. Amy Herron – Environmental Health Specialist, Toe River Health District
7. Vivian Hollifield - Director, Yancey County Senior Center
8. Tres Magner - Director, Yancey County Cooperative Extension
9. Randy McIntosh – APS Social Worker, Yancey County DSS
10. Brandon Randolph - Yancey County Lead Maintenance/Public Works
11. Neil McCurry - Yancey County Building Inspector
12. Gary Banks or designee – Sheriff, Yancey County Sheriff's Department
13. Yancey County Commissioner - TBD
14. Nathan Bennett– Manager, Yancey County